

C. MOBILISING RESOURCES

- **The Capital Flows Initiative**

147. To achieve the estimated 7 per cent annual growth rate needed to meet the IDGs – particularly, the goal of reducing by half the proportion of Africans living in poverty by the year 2015 – Africa needs to fill an annual resource gap of 12 per cent of its GDP, or US \$64 billion. This will require increased domestic savings, as well as improvements in the public revenue collection systems. However, the bulk of the needed resources will have to be obtained from outside the continent. The *New Partnership for Africa's Development* focuses on debt reduction and ODA as complementary external resources required in the short to medium term, and addresses private capital flows as a longer-term concern. A basic principle of the Capital Flows Initiative is that improved governance is a necessary requirement for increased capital flows, so that participation in the Economic and Political Governance Initiatives is a prerequisite for participation in the Capital Flows Initiative.

- (i) ***Increasing domestic resource mobilisation***

148. To achieve higher levels of growth and more effective poverty reduction, Africa needs to mobilise additional resources, both domestic and foreign. Domestic resources include national savings by firms and households, which need to be substantially increased. In addition, more effective tax collection is needed to increase public resources, as well as the rationalising of government expenditures. A significant proportion of their domestic savings is lost to African countries as a result of capital flight. This can only be reversed if African economies become attractive locations for residents to hold their wealth. Therefore, there is also an urgent need to create conditions that promote private sector investments by both domestic and foreign investors. Furthermore, there are other resources which can be mobilised within Africa, while, at the same time, requesting the developed countries to pledge their Treasury Bills to finance the Plan. By so doing they would not directly commit their liquid assets. Finally, we suggest the establishment of Special Drawing Rights for Africa.

- (ii) ***Debt Relief***

149. The *New Partnership for Africa's Development* seeks the extension of debt relief beyond its current levels (based on debt “sustainability”), which still require debt service payments amounting to a significant portion of the resource gap. The long-term objective of the *New Partnership for Africa's Development* is to link debt relief with costed poverty reduction outcomes. In the interim, debt service ceilings

should be fixed as a proportion of fiscal revenue, with different ceilings for IDA and non-IDA countries. To secure the full commitment of concessional resources – debt relief plus ODA – that Africa requires, the leadership of the *New Partnership for Africa's Development* will negotiate these arrangements with creditor governments. Countries would engage with existing debt relief mechanisms – the HIPC and the Paris Club – before seeking recourse through the *New Partnership for Africa's Development*. The Debt Initiative will require agreed poverty reduction strategies, debt strategies and participation in the Economic Governance Initiative to ensure that countries are able to absorb the extra resources. In addition to seeking further debt relief through the interim debt strategy set out above, the *New Partnership for Africa's Development* leadership will establish a forum in which African countries will share experience and mobilise for the improvement of debt relief strategies.

150. Actions

- The *New Partnership for Africa's Development* heads of state will secure an agreement, negotiated with the international community, to provide further debt relief for countries participating in the *New Partnership for Africa's Development*, based on the principles outlined above.
- The leadership of the *New Partnership for Africa's Development* will establish a forum in which African countries may share experiences and mobilise for the improvement of debt relief strategies. They will exchange ideas that may end the process of reform and qualification in the HIPC process.

(iii) ODA Reforms

151. The *New Partnership for Africa's Development* seeks increased ODA flows in the medium term, as well as reform of the ODA delivery system, to ensure that flows are more effectively utilised by recipient African countries. The *New Partnership for Africa's Development* will establish an ODA forum of African countries so as to develop a common African position on ODA reform, and to engage with the Development Assistance Committee of the OECD (OECD/DAC) and other donors in developing a charter underpinning the development partnership. This charter will identify the Economic Governance Initiative as a prerequisite for enhancing African countries' capacity to utilise increased ODA flows, and will propose a complementary, independent assessment mechanism for monitoring donor performance. The *New Partnership for Africa's Development* will support a Poverty Reduction Strategy Paper (PRSP) Learning Group to engage in the PRSP process together with the IMF and the World Bank.

152. Actions

- Constitute an ODA forum for developing a common African position on ODA reform, as a counterpart to the OECD/DAC structure;
- Engage, through the ODA forum, with donor agencies to establish a charter for the development partnership, which would embody the principles outlined above;
- Support ECA's efforts to establish a PRSP Learning Group;
- Establish an independent mechanism for assessing donor and recipient country performance.

(iv) The Private Capital Flows

153. The *New Partnership for Africa's Development* seeks to increase private capital flows to Africa, as an essential component of a sustainable long-term approach to filling the resource gap.
154. The first priority is to address investors' perception of Africa as a "high risk" continent, especially with regard to security of property rights, regulatory framework and markets. Several key elements of the *New Partnership for Africa's Development* will help to lower these risks gradually, and include initiatives relating to peace and security, political and economic governance, infrastructure and poverty reduction. Interim risk mitigation measures will be put in place, including credit guarantee schemes and the strong regulatory and legislative frameworks. The next priority is the implementation of a Public-Private sector partnership (PPP) capacity-building programme through the African Development Bank and other regional development institutions, to assist national and sub-national governments in structuring and regulating transactions in the provision of infrastructural and social services. The third priority is to promote the deepening of financial markets within countries, as well as cross-border harmonisation and integration, via a Financial Market Integration Task Force. Initially, this will focus on the legislative and regulatory environment for the financial system.

155. Actions

- Establish a task team to carry out audits of investment-related legislation and regulation, with a view to risk reduction and harmonisation within Africa;
- Carry out a needs assessment of and feasibility study on financial instruments to mitigate risks associated with doing business in Africa;

- Establish an initiative to enhance the capacity of countries to implement PPPs;
- Establish a Financial Market Integration Task Force that will speed up financial market integration through the establishment of an international standard legislative and regulatory framework and the creation of a single African trading platform.
- Equally important, however, especially in the short to medium term, is the need for additional ODA and debt reduction. Additional ODA is required to enable least developed countries to achieve the international development goals, especially in the areas of primary education, health and poverty eradication. Further debt reduction is also crucial. The enhanced Highly Indebted Poor Countries (HIPC) debt relief initiative still leaves many countries within its scope with very high debt burdens, hence the need to direct more resources towards poverty reduction. In addition, there are countries not included in the HIPC that also require debt relief to release resources for poverty reduction.

- **The Market Access Initiative**

- (i) ***Diversification of Production***

156. African economies are vulnerable because of their dependence on primary production and resource-based sectors, and their narrow export bases. There is an urgent need to diversify production and the logical starting point is to harness Africa's natural resource base. Value added in agro-processing and mineral beneficiation must be increased and a broader capital goods sector developed, through a strategy of economic diversification based on inter-sectoral linkages. Private enterprise must be supported, both micro-enterprises in the informal sector and small and medium enterprises in the manufacturing sector, which are principal engines of growth and development. Governments should remove constraints to business activity and encourage the creative talents of African entrepreneurs.

- (ii) ***Agriculture***

157. Objectives

- To improve the productivity of agriculture, with particular attention to small-scale and women farmers;
- To ensure food security for all people and increase the access of the poor to adequate food and nutrition;

- To promote measures against natural resource degradation and encourage production methods that are environmentally sustainable;
- To integrate the rural poor into the market economy and provide them with better access to export markets;
- To develop Africa into a net exporter of agricultural products;
- To become a strategic player in agricultural science and technology development.

158. Actions

- **At the African level:**
 - Increase the security of water supply for agriculture by establishing small-scale irrigation facilities, improving local water management, and increasing the exchange of information and technical know-how with the international community;
 - Improve land tenure security under traditional and modern forms of tenure, and promote necessary land reform;
 - Foster regional, sub-regional, national and household food security through the development and management of increased production, transport, storage and marketing of food crops, as well as livestock and fisheries. Particular attention must also be given to the needs of the poor, as well as the establishment of early warning systems to monitor droughts and crop production;
 - Enhance agricultural credit and financing schemes, and improve access to credit by small-scale and women farmers;
 - Reduce the heavy urban bias of public spending in Africa by transferring resources from urban to rural activities.
- **At the international level:**
 - Develop new partnership schemes to address donor fatigue for individual, high-profile agricultural projects;
 - Developing countries should assist Africa in carrying out and developing its

research and development capabilities in agriculture;

- **Promote** access for African food and agricultural products, particularly processed products, to meet international markets by improving quality to meet the standards required by those markets;
- Support African networking with external partners in the areas of agricultural technology and know-how, extension services and rural infrastructure;
- Support investment in research in the areas of high-yield crops and durable preservation and storage methods;
- Provide support for building national and regional capacity for multilateral trade negotiations, including food sanitation and other agricultural trade regulations.

(iii) Mining

159. Objectives

- To improve the quality of mineral resource information;
- To create a regulatory framework conducive to the development of the mining sector;
- To establish best practices that will ensure efficient extraction of natural resources and minerals of high quality.

160. Actions

- **At the African level:**
 - Harmonise policies and regulations to ensure compliance with minimum levels of operational practices;
 - Harmonise commitments to ensure reduction in the perceived investment risk in Africa;
 - Harmonise information sources on business opportunities for investments;
 - Enhance collaboration for knowledge-sharing and value addition to natural resources;

- Enforce principles of value-addition (beneficiation) for investments in the African mining sector;
- Establish an African School of Mining System (for the development and production of education, skills and training at all levels). This could be achieved through collaboration among existing schools.

(iv) *Manufacturing*

161. Objectives

- To increase the production, and improve the competitiveness and diversification of the domestic private sector, especially in the agro-industrial, mining and manufacturing sub-sectors, with potential for exports and employment creation;
- To establish organisations on national standards in African countries;
- To harmonise the technical regulatory frameworks of African countries.

162. Actions

- **At the African level:**
 - Develop new industries, or upgrade existing ones, where African countries have comparative advantages, including agro-based industries, energy and mineral resource-based industries;
 - Acquire membership of the relevant international standards organisations. Active membership would give Africa a stronger voice in these bodies, and would enable African industry to participate meaningfully in the development of international standards. Membership would also result in the transfer copyright of international standards to the national associations;
 - Establish national measurement institutions to ensure harmonisation with the international metrology system. Such activities will always remain the responsibility of government;
 - Ensure that testing laboratories and certification organisations are set up to support the relevant national technical regulations. Such organisations should be established, as soon as possible, where they do not exist;

- Establish an accreditation infrastructure, such as the International Standards Organisation (ISO) system, which is acceptable internationally. Such an accreditation infrastructure can be nationally based where the industry is strong enough to maintain it, otherwise regional structures should be contemplated. Appropriate funding to ensure membership of international structures such as the International Accreditation Forum (IAF) and the International Electrotechnical Commission (IEC) should be made available;
- Pursue mutual recognition of test and certification results with Africa's major trading partners. Generally, this will only be possible if the framework for standards, technical regulations, measurement, tractability and accreditation are in place and can be shown to meet international requirements.

At the international level:

- Facilitate partnership through the development of mechanisms, such as joint business councils, for information-sharing between non-African and African firms, and for working towards the establishment of joint ventures and subcontracting arrangements;
- Assist in strengthening African training institutions for industrial development, particularly through the promotion of networking with international partners;
- Promote the transfer of new and appropriate technologies to African countries;
- Develop and accept a best-practice framework for technical regulations that meets both the requirements of the World Trade Organisation's Agreement on Technical Barriers to Trade (WTO/TBT) and the needs of Africa. The technical regulation frameworks of the developed countries may be too complex for many African countries;
- Establish Standards Bureaux, which would provide the industry and government with the necessary information on international, regional and national standards, thereby facilitating market access. These centres should be linked to the relevant international, regional and national standards information centres so that the latter can act as the national WTO/TBT Enquiry Points;
- Ensure the development of appropriate regional and national standards through the establishment of appropriate technical committee structures representing the stakeholders of the countries, as well as managing such committees in line with ISO/IEC Directives and WTO/TBT Agreement requirements.

*(v) Tourism***163. Objectives**

- To identify key “anchor” projects at the national and sub-regional levels, which will generate significant spin-offs and assist in promoting interregional economic integration;
- To develop a regional marketing strategy;
- To develop a research capacity in tourism;
- To promote partnerships such as those formed via sub-regional bodies. Examples include the Regional Tourism Organisation of Southern Africa (RETOSA), the Economic Community of West African States (ECOWAS) and the SADC.

164. Actions

- **At the African level:**
 - Forge co-operative partnerships to capture the benefits of shared knowledge, as well as provide a base for other countries to entering into tourist-related activities;
 - Provide the African people with the capacity to be actively involved in sustainable tourism projects at the community level;
 - Prioritise consumer safety and security issues;
 - Market African tourism products, especially in adventure tourism, eco-tourism and cultural tourism;
 - Increase regional co-ordination of tourism initiatives in Africa for the expansion and increased diversity of products;
 - Maximise our benefits from the strong interregional demand for tourism activities, by developing specialised consumer-targeted marketing campaigns.

(vi) Services

165. Services can constitute very important activities for African countries in particular those that are well equipped in the field of ICTs (téleservices).

(vii) Promoting the private sector

166. Objectives

- To ensure a sound and conducive environment for private sector activities, with particular emphasis on domestic entrepreneurs;
- To promote foreign direct investment and trade, with particular emphasis on exports;
- To develop micro, small and medium enterprises, including the informal sector.

167. Actions

- **At the African level:**
 - Undertake measures to enhance the entrepreneurial, managerial and technical capacities of the private sector by supporting technology acquisition, production improvements, and training and skills development;
 - Strengthen chambers of commerce, trade and professional associations, and their regional networks;
 - Organise dialogue between the government and the private sector to develop a shared vision of economic development strategy and remove constraints to private sector development;
 - Strengthen and encourage the growth of micro, small and medium-scale industries through appropriate technical support from service institutions and civil society, and improve access to capital by strengthening micro-financing schemes, with particular attention to women entrepreneurs.
- **At the international level:**
 - Promote entrepreneurial development programmes for training managers of African firms;
 - Provide technical assistance in relation to the development of an appropriate regulatory environment, promotion of small, medium and micro-enterprises

and, establish micro-financing schemes for the African private sector.

(viii) Promoting African Exports

168. Objectives

- To improve procedures for customs and drawback/rebate schemes;
- To tackle trade barriers in international trade through the improvement of standards;
- To increase intra-regional trade via promoting cross-border interaction among African firms;
- To improve Africa's negative image through conflict resolution and marketing;
- To deal with short-term skills shortages through appropriate firm-level incentives and training.

169. Actions

- **At the African level:**
 - Promote intra-African trade with the aim of sourcing within Africa, imports formerly sourced from other parts of the world;
 - Create marketing mechanisms and institutions to develop marketing strategies for African products;
 - Publicise African exporting and importing companies and their products, through trade fairs;
 - Reduce the cost of transactions and operations;
 - Promote and improve regional trade agreements, foster interregional trade liberalisation, and harmonise rules of origin, tariffs and product standards;
 - Reduce export taxes.
- **At the international level:**
 - Negotiate measures and agreements to facilitate market access for African

products to the world market;

- Encourage foreign direct investment;
- Assist in capacity-building in the private sector, as well as strengthening country and sub-regional capacity in trade negotiations, implementing the rules and regulations of the WTO, and identifying and exploiting new trading opportunities that emerge from the evolving multilateral trading system;
- The African heads of state must ensure active participation in the world trading system, which has been managed under the auspices of the WTO since 1995. If a new round of multilateral trade negotiations is started, it must recognise and provide for the African continent's special concerns, needs and interests in future WTO rules.

170. Participation in the world trading system must enhance:

- Open, predictable and geographically diversified market access for exports from Africa;
- The provision of a forum in which developing countries can collectively put up their demand call for structural adjustment by developed countries in those industries in which the natural competitive advantage now lies with the developing world;
- Transparency and predictability as preconditions for increased investment in return for boosting supply capacity and enhancing the gains from existing market access;
- Technical assistance and support to enhance institutional capacity of African States to use the WTO and to engage in multilateral trade negotiations.

171. In addition to broad-based support for the WTO, African heads of state must identify strategic areas of intervention and, together with the international community, strengthen the contribution of trade to the continent's recovery. The strategic areas include:

- The identification of key areas in export production in which supply-side impediments exist;
- The diversification of production and exports especially in existing and potential areas of competitive advantage, and bearing in mind the need to move towards

higher value-added production;

- An assessment of the scope for further liberalisation in manufacturing, given the concentration of access in low value-added sectors, and its restrictiveness in high value-added activities with the greatest economic and growth potential;
- Renewed political action by African countries to intensify and deepen the various integration initiatives on the continent. To this end, consideration needs to be given to: (1) a discretionary preferential trade system for intra-African trade; (2) the alignment of domestic and regional trade and industrial policy objectives, thereby increasing the potential for intra-regional trade critical to the sustainability of regional economic arrangements.

172. Heads of State must act to: (1) secure and stabilise preferential treatment by key developed country partners, e.g. the Generalised System of Preferences (GSP), the Cotonou Agreement, the “Everything But Arms” (EBA) initiative, and the Africa Growth and Opportunity Act (AGOA); (2) ensure that further multilateral liberalisation does not erode the preferential gains of these arrangements; (3) identify and address deficiencies in their design and application.

(ix) *Removal of non-tariff barriers*

173. African leaders believe that improved access to the markets of industrialised countries for products in which Africa has a comparative advantage is crucial. Although there have been significant improvements in terms of lowered tariffs in recent years, there remain significant exceptions on tariffs while non-tariff barriers also constitute major impediments. Progress on this issue would greatly enhance economic growth and diversification of African production and exports. Dependence on ODA would decline and infrastructure projects would become more viable as a result of increased economic activity.